

# Invitation\_

Annual general meeting  
of Telefónica Deutschland Holding AG  
21 May 2019

*Telefonica*

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Deutschland

# Telefónica Deutschland Holding AG Munich

WKN: A1J5RX

ISIN: DE000A1J5RX9

We hereby invite our shareholders to attend the  
**annual general meeting**

on 21 May 2019, at 10:00 a.m.  
(Central European Summer Time - CEST)

at Alte Kongresshalle, Am Bavariapark 14,  
80339 Munich, Germany

This document is a convenience translation of the German original.  
In case of any discrepancy the German version is decisive.

# I. Agenda

- 1. Submission of the adopted annual financial statements of Telefónica Deutschland Holding AG and the approved consolidated financial statements including the combined management report, each as of 31 December 2018, the descriptive report of the management board pursuant to sections 289a para. 1, 315a para. 1 of the German Commercial Code (HGB) and the report of the supervisory board each for the financial year 2018**

The above mentioned documents as well as the proposal by the management board for the distribution of net retained earnings can be found on the internet at [www.telefonica.de](http://www.telefonica.de) under Investor Relations/AGM.

- 2. Resolution on appropriation of balance sheet profit**

The management board and the supervisory board propose to resolve as follows:

“The net retained earnings for the year shown in the adopted annual financial statements of Telefónica Deutschland Holding AG as of 31 December 2018 in the amount of

EUR 1,542,382,293.55

will be distributed as follows:

Distribution of a dividend in the amount of EUR 0.27 for each share entitled to dividends,

in total	EUR	803,129,848.11
Profit carried forward	EUR	739,252,445.44

The dividend is due for payment on the third business day following the annual general meeting, i.e. on 24 May 2019.”

### **3. Resolution on the discharge of the members of the management board**

The management board and the supervisory board propose to resolve as follows:

“The members of the management board in the financial year 2018 are discharged for this period.”

### **4. Resolution on the discharge of the members of the supervisory board**

The management board and the supervisory board propose to resolve as follows:

“The members of the supervisory board in the financial year 2018 are discharged for this period.”

**5. Resolution on the appointment of the auditor and the group auditor for the financial year 2019, as well as the auditor for a potential review of the half-year financial report for the first six months of the financial year 2019 and any other potential interim financial information**

The supervisory board proposes, at the recommendation of its audit committee, to pass the following resolutions:

- "a) PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with its registered seat in Frankfurt am Main (Munich office), is appointed as auditor and group auditor for the financial year 2019, as auditor for a potential review of the condensed financial statements and interim management report contained in the half-year financial report as of 30 June 2019 and as auditor for a potential review of potential additional interim financial information pursuant to section 115 para. 7 German Securities Trading Act (WpHG) for the financial year 2019."
  
- "b) PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with its registered seat in Frankfurt am Main (Munich office), is appointed as auditor for a potential review of potential additional interim financial information pursuant to section 115 para. 7 German Securities Trading Act (WpHG) for the financial

year 2020, if such review is conducted before the next general meeting.”

The audit committee has stated that its recommendation is free from improper influence by a third party and that no clause restricting the choice within the meaning of Article 16 para. 6 of the Auditor Regulation (Regulation (EU) No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) has been imposed upon it.

## **6. Elections to the supervisory board**

Ms Eva Castillo Sanz, who had been elected as shareholder representative to the supervisory board by the general meeting on 9 May 2017, resigned from office with effect from the end of 25 May 2018. Ms Eva Castillo Sanz had been elected as shareholder representative to the supervisory board until the end of the general meeting resolving on the discharge for the financial year 2021. By order of the Local Court of Munich dated 7 June 2018, Ms María García-Legaz Ponce was appointed as shareholder representative to the supervisory board of the Company in place of the resigned Ms Eva Castillo Sanz.

Furthermore, Mr Enrique Medina Malo, who had been elected as shareholder representative to the supervisory board by the general meeting on 9 May 2017, resigned from office with effect from the end of 24 July 2018. Mr Enrique Medina Malo had been elected as shareholder

representative to the supervisory board until the end of the general meeting resolving on the discharge for the financial year 2021. By order of the Local Court of Munich, Mr Pablo de Carvajal González was appointed as shareholder representative to the supervisory board of the Company in place of the resigned Mr Enrique Medina Malo with effect from 25 July 2018.

Ms María García-Legaz Ponce and Mr Pablo de Carvajal González are now to be elected as shareholder representatives to the supervisory board of the Company by the annual general meeting.

Pursuant to section 11 para. 1 of the Articles of Association the supervisory board of Telefónica Deutschland Holding AG has 16 members, and is pursuant to sections 96 para. 1 and para. 2, 101 para. 1 German Stock Corporation Act (AktG) in conjunction with section 7 para. 1 German Co-Determination Act (MitbestG) of 4 May 1976 composed of eight members who are elected by the general meeting and eight members who are elected by the employees and at least of 30% women and 30% men. In principle, the minimum gender quota has to be fulfilled by the supervisory board as a whole. However, the shareholder representatives objected to the joint fulfilment of the quota pursuant to section 96 para. 2 sentence 3 German Stock Corporation Act (AktG). Therefore, the minimum quota for this election has to be fulfilled separately by the shareholder representatives and the employee representatives and corresponds to at least two women and at least two men for each side.

At the time of the announcement of the convening of this annual general meeting, four shareholder representatives

are women and four shareholder representatives are men. On the basis of separate fulfilment, the minimum gender quota is thus fulfilled by the shareholder representatives and would continue to be fulfilled after the election of the proposed candidates.

If a supervisory board member elected by the general meeting resigns from the supervisory board before the end of his term of office, a successor shall be elected pursuant to section 11 para. 2 sentence 3 of the Articles of Association for the remainder of the term of office of the resigned supervisory board member, unless the general meeting resolves on a different term of office.

The supervisory board proposes to pass the following resolutions:

- "a) **Ms María García-Legaz Ponce**,  
with residence in Madrid, Spain,  
Chief of Staff of Telefónica, S.A.,  
Madrid, Spain,  
is elected as shareholder representative  
to the supervisory board of  
Telefónica Deutschland Holding AG.

The election will take effect at the end of the general meeting on 21 May 2019 for the remaining term of office of the resigned member of the supervisory board Eva Castillo Sanz, i.e. until the end of the general meeting which passes the resolution on the discharge for the financial year 2021."



- "b) **Mr Pablo de Carvajal González**,  
with residence in Madrid, Spain,  
General Counsel & Global Head Regulatory  
Affairs of Telefónica, S.A., Madrid, Spain,  
is elected as shareholder representative  
to the supervisory board of  
Telefónica Deutschland Holding AG.

The election will take effect at the end of the general meeting on 21 May 2019 for the remaining term of office of the resigned member of the supervisory board Enrique Medina Malo, i.e. until the end of the general meeting which passes the resolution on the discharge for the financial year 2021."

The above proposals for election are based on the recommendation of the supervisory board nomination committee and take into account the objectives set by the supervisory board with respect to its composition and the competence profile for the entire supervisory board drawn up by the supervisory board; they are also in line with the diversity concept pursued by the Company.

It is intended to vote on the election of each proposed candidate by way of separate vote.

The CVs of Ms María García-Legaz Ponce and Mr Pablo de Carvajal González, which in each case provide information in particular on relevant knowledge, skills and experience, are available to the shareholders from the day on which the general meeting is convened under [www.telefonica.de](http://www.telefonica.de) under Investor Relations/AGM.

**Information pursuant to section 125 para. 1 sentence 5 German Stock Corporation Act (AktG)**

- to a) Ms María García-Legaz Ponce is at the time of this notification of convention of this annual general meeting not a member of any legally required supervisory boards or comparable German or foreign supervisory bodies of business enterprises.
- to b) Mr Pablo de Carvajal González is at the time of this notification of convention of this annual general meeting not a member of any legally required supervisory boards or comparable German or foreign supervisory bodies of business enterprises.

**Information pursuant to section 5.4.1 paras. 5 to 8 of the German Corporate Governance Code as amended on 7 February 2017**

The supervisory board has received assurance from each, Ms García-Legaz Ponce and Mr de Carvajal González, that they can provide the amount of time expected to carry out the supervisory board mandate.

Pursuant to the recommendation in section 5.4.1 paras. 6 to 8 of the German Corporate Governance Code the information deemed relevant by the supervisory board for this election relating to the personal and business relationships of the proposed candidates to the Company, the corporate bodies of the Company and any shareholder holding a significant interest in the Company is disclosed as follows:

- to a) Ms María García-Legaz Ponce is Chief of Staff as well as a Member of the Executive Committee of Telefónica, S.A., Madrid, Spain, the indirect majority shareholder of Telefónica Deutschland Holding AG. Ms María García-Legaz Ponce holds shares in Telefónica, S.A., Madrid, Spain, and participates in an employee participation program of Telefónica, S.A., Madrid, Spain.
- to b) Mr Pablo de Carvajal González is General Counsel & Global Head Regulatory Affairs as well as a Member of the Executive Committee of Telefónica, S.A., Madrid, Spain, the indirect majority shareholder of Telefónica Deutschland Holding AG. Mr Pablo de Carvajal González holds shares in Telefónica, S.A., Madrid, Spain, and participates in an employee participation program of Telefónica, S.A., Madrid, Spain.

**7. Resolution on the cancellation of the Conditional Capital 2014/I, on the creation of a new authorization for the issuance of convertible bonds and other Instruments including the authorization to exclude shareholders' subscription rights as well as on the creation of a new Conditional Capital 2019/I along with related amendments of the Articles of Association**

The authorization to issue convertible bonds and other Instruments resolved on by the general meeting on 11 February 2014 under agenda item 3 expired at the end of 10 February 2019. The management board of the Company did not use the authorization with the result that the Conditional Capital 2014/I is no longer required.

Therefore, the Conditional Capital 2014/I shall be cancelled and the management board again be authorized to issue convertible bonds and other instruments to the same extent and a new Conditional Capital 2019/I shall be created.

The management board and the supervisory board propose to pass the following resolution:

“a) Cancellation of the Conditional Capital 2014/I

The Conditional Capital 2014/I resolved by the general meeting on 11 February 2014 under Agenda Item 3 and provided for in section 4 para. 4 of the Articles of Association in the amount of EUR 558,472,700.00 is hereby cancelled.

b) Authorization to issue convertible bonds and other Instruments and to exclude shareholders' subscription rights

The management board is authorized, with the consent of the supervisory board, to issue the following in bearer and/or registered form on one or more occasions, by the end of 20 May 2024:

(i) convertible bonds and/or (ii) option bonds and/or (iii) convertible participation rights and/or (iv) option participation rights and/or (v) participation rights and/or (vi) profit-participating bonds (including combinations of these instruments) (hereafter (i) to (iv)

together the "Financial Instruments" and (i) to (vi) together the "Instruments") in a total nominal amount of up to EUR 3,000,000,000.00 (in words: three billion Euros) with a term to maturity of no more than 15 years; and to grant the owners and creditors of Financial Instruments conversion or option rights on new non-par value registered shares of the Company, with a notional interest in the share capital of the Company of up to a total of EUR 558,472,700.00 (in words: five hundred and fifty eight million four hundred and seventy two thousand and seven hundred Euros), subject to the terms of the convertible and option bonds as well as the convertible and option participation rights. The following details apply to the authorization:

The Instruments may be issued against contributions in cash and/or consideration in kind. The Instruments may, in addition to Euros, also be issued in the legal currency of an OECD country, subject to the limitation of the converted value of such currency in Euros.

The Instruments may also be issued by companies in which the Company has a direct or indirect majority ownership (hereinafter "Affiliates"), if such issuance is in the financial interest of the Telefónica Deutschland Group. In that case the management board is authorized, with the consent of the supervisory board, to issue a guarantee for the Instruments and to grant the owners or creditors of such

Financial Instruments conversion rights or option rights on new non-par value registered shares of the Company.

The instruments will be divided into fractional bonds or fractional participation rights that have equal rights among each other.

*Option right.* In case of the issuance of option bonds or option participation rights, one or more option certificate(s) will be attached to each fractional bond or fractional participation right, which authorizes the owner or creditor to subscribe to new non-par value registered shares of the Company, subject to the terms of such options to be determined by the management board with the consent of the supervisory board. The terms of the options may stipulate that the exercise price of the option bonds or option participation rights issued by the Company may also be paid by transfer of fractional bonds or fractional participation rights and, if applicable, an additional cash payment. Moreover, subject to the terms of the options, it may be stipulated that fractional shares can be subscribed to as whole shares subject to an additional payment, or can be paid out in cash. The notional interest in the share capital of each share to be subscribed pursuant to fractional option or fractional participation rights may not exceed the nominal amount of the option bonds or option participation rights. Sections 9 para. 1 and 199 para. 2 AktG remain unaffected. The term of the option rights may not exceed 15 years.

*Conversion right and exchange ratio.* In case of the issuance of bearer convertible bonds or convertible participation rights, the holders of the fractional bonds or fractional participation rights (otherwise the creditors) receive the right to exchange their fractional bonds or fractional participation rights, subject to the terms of the convertible bonds or convertible participation rights to be determined by the management board with the consent of the supervisory board, for non-par value registered shares of the Company. The exchange ratio is determined by dividing the nominal amount of a fractional bond or fractional participation right by the conversion price set for a new non-par value registered share of the Company. The exchange ratio can also be determined by dividing the issue price of a fractional bond or fractional participation right (which is below the nominal amount) by the conversion price set for a new non-par value registered share of the Company. It may be stipulated that the exchange ratio will be variable, and the conversion price will be set within a yet to be determined bandwidth which depends on the development of the share price during the term of, or during a specified period of time during the term of, such instruments. The exchange ratio may in any case be rounded up or down to a whole number; furthermore an additional payment to be made in cash or a compensation to be paid out in cash for non-convertible fractional shares may be

set. Moreover it may be stipulated that fractional shares can be grouped together or compensated in cash. The notional interest in the share capital of the non-par value shares to be issued upon conversion may not exceed the nominal amount of the fractional convertible bond or fractional participation right, sections 9 para. 1 and 199 para. 2 AktG remain unaffected.

*Conversion obligation.* The management board may, with the consent of the supervisory board, also issue registered convertible bonds or convertible participation rights pursuant to which the holder or creditor of the convertible bonds or convertible participation rights, subject to the terms of the convertible bonds or convertible participation rights, are obligated during the conversion period or at the end of the conversion period to exchange the convertible bonds or convertible participation rights for new non-par value registered shares of the Company. The above stipulations of conversion rights and exchange ratio also apply to these financial instruments with obligation to convert.

*Satisfaction of conversion or option rights, right to substitute.* Furthermore, the terms of the bond or participation rights may stipulate that in case of the conversion or exercise of options, the Company does not grant the holder of conversion rights or options new non-par value registered shares of the Company out of the conditional capital, but rather pays out



the value of such rights in a cash payment corresponding to the average closing price of the shares of the Company in Xetra trading (or another comparable successor system in place of the Xetra system) of the Frankfurt Exchange during the last ten trading days before exercise of the conversion or option right, subject to the terms of the bond or participation rights. The bond or participation right conditions may further stipulate that (i) the convertible bonds or participation rights may be converted into existing non-par value registered shares of the Company rather than into new non-par value registered shares out of the conditional capital, or that the option rights may be satisfied by delivery of such shares or (ii) the subscription shares may be created out of authorized capital in connection with a capital increase.

*Subscription price.* The relevant conversion or option price for a share in the Company (subscription price) to be determined must, also in the case of a variable exchange ratio or a variable conversion or option price, equal either (a) at least 80 % of the average closing price of the shares of the Company of the same kind in Xetra trading (or another comparable successor system in place of the Xetra system) (i) on the ten trading days prior to the day of the resolution of the management board regarding the issuance of the Financial Instruments or (ii) on the five trading days immediately prior to the public announcement of an offer to

subscribe to Financial Instruments or (iii) on the five trading days immediately prior to the Company's notice of acceptance following a public request for submission of subscription offers or (b) at least 80 % of the average closing price of the shares of the Company of the same kind in Xetra trading (or another comparable successor system in place of the Xetra system) during the days on which the subscription rights for the Financial Instruments are traded on the Frankfurt Stock Exchange, with the exception of the last five trading days of the trading of the subscription rights . Sections 9 para. 1 and 199 para. 2 AktG remain unaffected.

As long as the terms of the bond or participation rights contain an obligation to convert or give the Company the right to pay cash instead of delivering shares after exercise of the conversion or option right, then the bond or participation right conditions may stipulate that the conversion or option price corresponds either to the alternatives under (a) and (b) above, or (c) at least the arithmetic middle value of the closing price of the shares of the Company of same type in Xetra trading (or another comparable successor system in place of the Xetra system) on the last ten trading days prior to (i) the day of maturity of the Financial Instrument or (ii) the day on which the person obligated to convert must exercise his conversion right or (iii) the day on which the conversion right is

deemed to be exercised; the resulting conversion or option price may be below the minimum price pursuant to (a) or (b). Sections 9 para. 1 and 199 para. 2 AktG also in this case remain unaffected.

*Dilution protection.* If, during the conversion or option period, with granting of subscription rights for its shareholders, the Company increases the share capital or issues or guarantees further convertible or option bonds or convertible or option participation rights, or grants other option rights, and no subscription rights in that amount are granted to the holders or creditors of the conversion or option rights, which they would be entitled to following exercise of the conversion or option right or the satisfaction of the obligation to convert, then the convertible bond or option terms or convertible or option participation right terms may stipulate that the conversion or option price may be adjusted notwithstanding §§ 9 para. 1 and 199 para. 2 AktG by reason of a dilution protection clause (i) by payment of a corresponding amount of money by the Company upon exercise of the conversion or option right or satisfaction of the conversion obligation or (ii) by reduction of the additional payment to be made. Instead of the payment in cash or a reduction of the additional payment, the exchange ratio may also, to the extent possible, be adjusted by division by the reduced conversion price or option price.

The terms of the convertible or option bonds or the terms of the convertible or option

participation rights may also stipulate an adjustment of the conversion or option rights in case of a capital decrease, a share split or a special dividend, or other measures that could lead to a dilution of the value of the conversion or option rights, sections 9 para. 1 and 199 para. 2 AktG remain unaffected. Moreover, in case of a change of control in the meaning of section 29 para. 2 WpÜG, a reduction of the term of the Financial Instrument and/or the period to exercise the option or convert, and/or an adjustment of the conversion or option price, may be stipulated.

*Subscription right and authorization of exclusion of subscription right.* The shareholders may also be granted their statutory subscription rights in such a manner that the Instruments are subscribed by one or more credit institutions and/or one or more companies in the meaning of section 186 para. 5 sent. 1 AktG under the obligation to offer such shares for subscription to the shareholders.

The management board is nevertheless authorized, with the consent of the supervisory board, to exclude the subscription rights of the shareholders of the Company on the Instruments, in total or in part,

- for fractional amounts;
- if the Instruments are issued in exchange for considerations in kind in the context of business combinations or for

the purpose of acquiring (including indirectly acquiring) companies, parts of companies, interests in companies or other assets or rights to acquire assets;

- to the extent it is required in order to grant a subscription right to convertible bonds or option bonds or convertible participation rights or option participation rights or participation rights or profit participation bonds, to the holders or creditors of then outstanding option rights, convertible bonds and convertible participation rights, in the amount that they would be entitled to after exercise of their conversion or option right or after satisfaction of their conversion obligation;
- to the extent Financial Instruments are issued against cash payment and the issue price does not, in the opinion of the management board formed on the basis of a duly conducted inquiry, fall significantly under the theoretical market price of the fractional bonds or fractional participation rights as determined by recognized financial mathematical methods. This authorization to exclude subscription rights exists, however, only with respect to fractional bonds or fractional participation rights with a conversion or option right or obligation to convert to shares, having a

notional interest in the share capital of no more than 10 % of such share capital, neither at the time of this authorization becoming effective nor at the time of the exercise of such authorization. For the question of exhausting this 10 % limitation, the exclusion of participation or acquisition rights resulting from other authorizations in direct or indirect application of section 186 para. 3 sentence 4 AktG must be taken into account.

If the instruments are issued by an Affiliate, then the Company must assure the granting of the legal subscription rights of the shareholders, whereby the subscription right can also be excluded in this case according to the above authorizations.

*Further terms of the Instruments.* The management board is authorized, with the consent of the supervisory board, to determine the further details of the issuance and terms of the Instruments, in particular interest rate, issue price, denomination, conversion or option price, conversion or option period, term and termination rights, or to determine such matters with the governing bodies of the Affiliates issuing the instruments.

#### c) Creation of the Conditional Capital 2019/I

The share capital of the Company is conditionally increased by up to EUR 558,472,700.00 (in words: five hundred and fifty eight million four hundred and seventy two thousand and seven hundred Euros) by issuance of up to

558,472,700 (in words: five hundred and fifty eight million four hundred and seventy two thousand and seven hundred) new non-par value registered shares (Conditional Capital 2019/I). The conditional capital increase is made exclusively for the granting of non-par value registered shares to the holders or creditors of Financial Instruments that are issued pursuant to the above authorization under b), by no later than the end of 20 May 2024 by the Company or its Affiliates. The conditional capital increase also serves the issuance of non-par value registered shares to holders or creditors of convertible bonds or convertible participation rights that include conversion obligations, subject to the terms of the convertible bonds or convertible participation rights. The issuance of the new shares will be made at the conversion or option price set forth under b). The conditional capital increase shall only be implemented to the extent that use is made of these rights, or the holders or creditors fulfill their obligation to convert, and to the extent that no own shares or shares from authorized capital are provided to serve these rights or a cash compensation is granted. The new shares participate in the profits from the beginning of the business year in which they are issued through the exercise of conversion or option rights or through fulfillment of an obligation to convert; in derogation hereof, the management board may, with the consent of the supervisory board, determine that the new shares participate in the profits from the beginning of the business year for which, at the time of exercise of the conversion or option right or the fulfillment of the conversion obligation, no resolution of the general meeting regarding the use of net profits has yet been adopted. The management board is authorized, with the consent of the supervisory board, to determine the

further details of the implementation of the conditional capital increase.

d) Amendment of the Articles of Association

Section 4 para. 4 of the Articles of Association is amended as follows:

“(4) *The share capital is conditionally increased by up to EUR 558,472,700.00 (in words: five hundred and fifty eight million four hundred and seventy two thousand and seven hundred Euros) by issuing up to 558,472,700 (in words: five hundred and fifty eight million four hundred and seventy two thousand and seven hundred) new non-par value registered shares (Conditional Capital 2019/I). The conditional capital increase will only be implemented to the extent that*

- *the holders or creditors of conversion rights or option certificates which are attached to convertible or option bonds or convertible or option participation rights issued by the Company or its direct or indirect majority owned subsidiaries, on the basis of the authorization resolved by the general meeting on 21 May 2019, until the end of 20 May 2024 make use of their conversion or option rights, or*
- *those holders or creditors of convertible bonds or convertible participation rights potentially issued by the Company or its direct or indirect majority owned*



*subsidiaries, on the basis of an authorization resolved by the general meeting on 21 May 2019, until the end of 20 May 2024 who are obligated to convert such securities actually fulfill their obligation to convert, and*

- *to the extent that no own shares or shares from authorized capital are provided to serve these option or conversion rights or if a compensation in cash is granted.*

*The new shares participate in the profits from the beginning of the business year in which they are issued through exercise of conversion or option rights or through fulfillment of the conversion obligation; in derogation hereof the management board may, with the consent of the supervisory board, determine that the new shares participate in the profits from the beginning of the business year for which, at the time of the exercise of the conversion or option rights or the fulfillment of the conversion obligation, no resolution of the general meeting about the use of the net profits has yet been adopted. The management board is authorized, with the consent of the supervisory board, to determine the further details of the implementation of the conditional capital increase.”*

e) Authorization of the Supervisory Board to amend the Articles of Association

The supervisory board is authorized to amend the wording of section 4 para. 1, para. 2 and para. 4 (amount and division of the share capital, Conditional Capital 2019/I) of the Articles of Association, in accordance with the relevant issuance of shares from the Conditional Capital 2019/I, as well as make all other changes in connection therewith that only concern the wording. The same applies in the case that the authorization to issue convertible or option bonds or convertible or option participation rights has not been used upon expiration of the effective term of the authorization, as well as in the event that the Conditional Capital 2019/I has not been utilized after expiration of all periods for the exercise of conversion and option rights.”

**Report of the management board on agenda item 7**

With respect to item 7 of the agenda, the management board has submitted the following written report pursuant to section 221 para. 4 sent. 2 in conjunction with section 186 para. 4 sent. 2 AktG regarding the reasons for the proposed authorizations for exclusion of subscription rights:

“An adequate capital structure is an essential prerequisite for the development of the Company. An important financing instrument are convertible and option bonds, convertible and option participation rights, participations rights and profit-participation bonds, the issuance of which enables the Company, depending on the market situation, to use financing opportunities to initially provide the Company with debt capital at favourable interest rates or to optimize its capital structure.

The authorization for the issuance of convertible bonds, option bonds, participation rights and/or profit-participating bonds, as well as combinations of these Instruments, granted by the general meeting on 11 February 2014 expired on 10 February 2019. The management board of the Company did not use the authorization with the result that the Conditional Capital 2014/I is no longer required. For that reason, the Conditional Capital 2014/I shall be cancelled, a new authorization shall be resolved upon and a new Conditional Capital 2019/I shall be created. The core aspects of the authorization from 11 February 2014 remain unchanged, in particular the number of the option and conversion rights, and thereby the scope of the conditional capital increase, as well as the term of the options or the participation right capital. The same applies in significant part to the guidelines for the conversion or option price (subscription price) of the shares.

Therefore, the management board and supervisory board propose to the annual general meeting with respect to agenda item 7, to authorize the management board to issue, with the consent of the supervisory board, (i) convertible bonds and/or (ii) option bonds and/or (iii) convertible participation rights and or (iv) option participation rights and/or (v) participation rights and/or (vi) profit-participating bonds (as well as combinations of these instruments) (hereinafter (i) to (iv) together "Financial Instruments" and (i) to (vi) together "Instruments") in a total nominal amount of up to EUR 3,000,000,000.00. Conversion and option rights for up to 558,472,700 new non-par value registered shares can be granted with the Financial Instruments. The conversion or option price must not be lower than a minimum subscription price per share, the calculation basis for which is specified in detail.

This authorization for the issuance of convertible and/or option bonds, convertible and/or option participation rights and/or profit-participating bonds, as well as combinations of these Instruments, puts the Company in a position to also obtain capital by the issuance of bonds, as well as participation rights, which are endowed with option or conversion rights for shares in the Company. At the same time it should also be possible to issue convertible bonds, as well as convertible option rights, which are endowed with conversion obligations for shares of the Company. Furthermore, the Company should also be enabled to issue participation rights or profit-participating bonds. In principle, all shareholders shall have subscription rights with regard to the Instruments. In order to facilitate ease of handling, however, it is intended to provide for the option to make use of the possibility that the Instruments are subscribed by one or more credit institutions and/or one or more companies in the meaning of section 186 para. 5 sent. 1 AktG under the obligation to offer such shares for subscription to the shareholders.

The Company should have flexibility in its financing by being able to issue Instruments. In order to be able to make optimal use of this flexibility in the interest of the Company, the management board should be authorized to exclude, with the consent of the supervisory board, the subscription rights of the shareholders with respect to the Instruments in certain cases. The proposed authorizations to exclude subscription rights are in the interest of the Company are necessary, appropriate and reasonable. In detail:

1. Authorization to exclude subscription rights in connection with fractional amounts

First the management board is authorized to exclude, with the consent of the supervisory board, fractional amounts that result from the subscription ratio, from the subscription rights of the shareholders. The authorization to exclude subscription rights with respect to fractional amounts allows the issuance of Instruments, while maintaining a practical subscription ratio, and thereby simplifies the settlement of the subscription rights of the shareholders.

2. Authorization to exclude subscription rights in connection with the acquisition of companies, etc.

An exclusion of the subscription right should also be possible when the Instruments are issued in exchange for considerations in kind in the context of business combinations or for the purpose of acquiring (including indirectly acquiring) companies, parts of companies, interests in companies or other assets or rights to acquire assets. This is intended to enable the management board to also use the Instruments as an acquisition currency to acquire such contributions in kind against issuance of such Instruments in specific cases in connection with business combinations or for the purpose of acquiring (including indirect acquiring) companies, parts of companies, interests in companies or other assets or rights to acquire assets. Business expansions realized by way of acquisition of companies or participations in companies normally require quick decisions. The proposed authorisation enables the management board to react in a quick and

flexible manner to advantageous offers or other opportunities arising on national or international markets and to seize business expansion opportunities by acquiring companies or participations in companies against the issuance of Instruments in the interest of the Company and its shareholders. The management board will carefully review in each case whether it should use the authorization to issue Instruments under exclusion of shareholders' subscription rights where actual opportunities for the acquisition of assets, in particular companies or participations in companies arise. The management board will not exclude the shareholders' subscription rights unless this would be in best interests of the Company and its shareholders.

3. Authorization to exclude subscription rights in connection with option and conversion rights already issued for dilution protection purposes

Furthermore, the management board is authorized to also exclude, with the consent of the supervisory board, subscription rights to the extent it would be necessary to grant to the holders or creditors of then outstanding option rights, convertible bonds and convertible participation rights, a subscription right for Instruments in an amount that they would be entitled to after exercise of the conversion or option rights, as well as after fulfilment of the conversion obligation. This further authorization of the management board to exclude, with consent of the supervisory board, the subscription rights in order to grant a dilution protection to the holders or creditors of the Financial Instruments already issued by the Company, is based on the following considerations:

The holders or creditors of the Financial Instruments to be issued by the Company or one of its affiliates are usually granted a dilution protection when the Company raises its share capital, subject to the grant of subscription rights to its shareholders, during the conversion or option period, or increases the share capital out of the Company's own means or issues further Instruments or grants other option rights. In capital markets practice, the dilution protection is granted either through adjustment of the conversion or option conditions (payment of a compensation in cash, reduction of any additional amount, as well as adjustment of the exchange ratio), or by the granting of subscription rights on the new Instruments. The management board, with consent of the supervisory board, determines which of the two possibilities is appropriate shortly before use of the authorization to issue further Instruments.

In order not to be limited to the first alternative from the beginning (payment of a compensation in cash, reduction of any additional amount, as well as adjustment of the exchange ratio), the management board should be authorized to exclude the subscription rights of the shareholders on the new Instruments, with consent of the supervisory board, to the extent it is necessary to grant holders of already issued Financial Instruments a subscription right to the extent that they would be entitled to, if they had made use of their conversion or option rights before the issuance of the new Instruments. The new Instruments to be issued to holders of Financial Instruments subject to exclusion of subscription rights will be issued to them on the same conditions as they are offered to shareholders of the Company for subscription.

4. Authorization to exclude subscription rights under section 186 para. 3 sent. 4 AktG, by analogy

The subscription right can also be excluded by the management board, with the consent of the supervisory board, as long as the relevant issuance of Financial Instruments is made at a price that falls not significantly below their theoretical market value. Through such exclusion of subscription rights, the Company is enabled to take advantage of favourable capital market situations on short notice, and to issue the Financial Instruments in a private placement or a public offering. Through this mechanism of exclusion of subscription rights, the interests of the shareholders are maintained.

The volume of shares to be issued in connection with the exercise of the conversion or option rights of Financial Instruments issued under exclusion of the subscription rights, is limited to 10 % of the share capital of the Company, whereas the lesser of the following two amounts is to be applied: the nominal amount of share capital at the time the authorization becomes effective, or the nominal amount of the share capital at the time of the exercise of the authorization. The following are offset against the total amount: (i) the treasury shares and the shares out of the authorised capital, and subscription or conversion rights due to other authorizations, issued or disposed of during the term of this authorisation under exclusion of the subscription right in accordance with section 186 para. 3 sent. 4 AktG or with corresponding application of this rule, as well as (ii) those shares that were acquired subject to the exclusion of shareholders'



disposal rights in corresponding application of section 186 para. 3 sent. 4 AktG. Thereby the shareholders are protected from a dilution of their percentage ownership interest.

The shareholders are protected from an economic dilution of their shareholding, since the Financial Instruments are issued at a price that is not significantly lower than their theoretical market value. In order to satisfy these requirements, the management board will determine the market value of the Financial Instruments with due care, if necessary by engaging an investment bank or auditing firm for such purpose. The management board will keep the discount from the market value as small as possible when setting its price, under consideration of the relevant situation in the capital markets. Because the authorization requires that the issue price determined not be significantly lower than the determined market value, the value of the (excluded) subscription right tends to be approximately zero, i.e. the shareholders do not experience any economic disadvantage through the exclusion of subscription rights, especially because they can maintain their percentage ownership interest through the additional purchase of shares on the stock exchanges. Independent of the review by the management board, a market appropriate determination of the conditions resulting in the avoidance of a significant dilution of value can be made through the implementation of a book-building process. In this procedure, the Instruments will not be offered at a fixed issue price; rather the issue price, or as the case may be the individual conditions of the Instruments such as interest and conversion or option price, will be determined on the

basis of the indications of interest to purchase submitted by investors. In this manner, the total value of the Instruments will be determined close to the market rate."

## II. Further Information for the Annual General Meeting

### **Total number of share and voting rights**

The share capital of Telefónica Deutschland Holding AG amounts to EUR 2,974,554,993.00 and is divided into 2,974,554,993 non-par value shares. The total number of shares and voting rights amounts to 2,974,554,993. These figures relate to the date of publication of this invitation in the Federal Gazette (*Bundesanzeiger*).

### **Conditions for attending the annual general meeting and for exercising voting rights**

The conditions for attendance are determined in accordance with sections 121 et seq. German Stock Corporation Act (AktG) and sections 23 and 25 of the Articles of Association. Only those shareholders who are registered in the shareholders' register on the date of the registration deadline, i.e. 24:00 (midnight) CEST on 14 May 2019, and who have registered for attendance in due time are entitled to attend the annual general meeting and exercise their voting rights.

The registration must be received by Telefónica Deutschland Holding AG at the following address no later than 24:00 (midnight) CEST on 14 May 2019:

Telefónica Deutschland Holding AG  
c/o Link Market Services GmbH  
Landshuter Allee 10  
80637 Munich  
Germany  
or e-mail: [namensaktien@linkmarketservices.de](mailto:namensaktien@linkmarketservices.de)  
or telefax: +49-(0)89-21027-288

or electronically by using the internet service for the annual general meeting at [www.telefonica.de](http://www.telefonica.de) under Investor relations/AGM.

The registration must be made in text form and may also be transmitted by fax or e-mail or electronically via the internet service. To facilitate the registration, a registration form will be sent to the shareholders together with the notifications pursuant to section 125 German Stock Corporation Act (AktG). Shareholders may also request a registration form from the mailing address, e-mail-address or telefax number specified above. For using the internet service for the annual general meeting at [www.telefonica.de](http://www.telefonica.de) under Investor Relations/AGM an access authorization is required. The necessary access details (shareholder number and password) are provided to the shareholders together with the notifications pursuant to section 125 German Stock Corporation Act (AktG).

Please note that no deletions from or registrations with the shareholders' register may be made on the day of the

annual general meeting or during the six days preceding the date of the annual general meeting, i.e. from 00:00 CEST on 15 May 2019 until 24:00 CEST on 21 May 2019. Trading in shares is not limited, the shares are not blocked.

Please note, that, after timely registration, admission tickets will be forwarded, unless the shareholder at the time of registration has chosen to grant proxy authorization to the proxies nominated by the Company. Admission tickets are merely an organizational aid and are not a prerequisite for attending the annual general meeting and exercising voting rights.

### **Procedure for casting votes by proxy**

Shareholders are entitled to vote and exercise their other rights by proxy, e.g. by a financial institution, a shareholders' association, or by any other person of their choice. The grant and revocation of the proxy authorization as well as the evidence of proxy authorization to the Company must be provided in text form (section 126b German Civil Code (BGB)), if neither a financial institution nor a shareholders' association nor persons, institutions or companies treated as such pursuant to section 135 para. 8 German Stock Corporation Act (AktG) or section 135 para. 10 German Stock Corporation Act (AktG) in conjunction with section 125 para. 5 German Stock Corporation Act (AktG) are authorized to act as proxies. Evidence of proxy authorization may also be sent to the Company by e-mail to the following e-mail address:  
namensaktien@linkmarketservices.de

A form which shareholders may use for granting proxy will be sent to the shareholders together with their admission

tickets as well as upon such a request to

Telefónica Deutschland Holding AG

c/o Link Market Services GmbH

Landshuter Allee 10

80637 Munich

Germany

or e-mail: [namensaktien@linkmarketservices.de](mailto:namensaktien@linkmarketservices.de)

or telefax: +49-(0)89-21027-288

The form may also be downloaded from [www.telefonica.de](http://www.telefonica.de) under Investor Relations/AGM. In addition, the proxy can be granted there electronically using the internet service for the annual general meeting. The access details (shareholder number and password) required for the use of the internet service will be sent to the shareholders together with the notifications pursuant to section 125 German Stock Corporation Act (AktG).

Financial institutions, shareholders' associations and persons, institutions and companies treated as such pursuant to section 135 para. 8 German Stock Corporation Act (AktG) or section 135 para. 10 German Stock Corporation Act (AktG) in conjunction with section 125 para. 5 German Stock Corporation Act (AktG) may provide for different regulations regarding their own authorization. Shareholders who wish to authorize a financial institution, a shareholders' association or one of the persons, institutions or companies treated as such pursuant to section 135 para. 8 or section 135 para. 10 German Stock Corporation Act (AktG) in conjunction with section 125 para. 5 German Stock Corporation Act (AktG) are therefore asked to consult with the person to be authorized regarding the

procedure for granting the proxy and the possibly required form of the proxy in good time.

We also offer our shareholders prior to the annual general meeting the opportunity to authorize a proxy nominated by the Company for the annual general meeting who will vote in accordance with the voting instructions of the shareholder. Details are provided in the documents sent to the shareholders pursuant to section 125 German Stock Corporation Act (AktG). In addition, more information on voting via the proxies nominated by the Company as well as a form for granting a proxy authorization and issuing instructions to the proxies nominated by the Company are also available to the shareholders on the internet at [www.telefonica.de](http://www.telefonica.de) under Investor Relations/AGM. In addition, proxy authorizations and voting instructions can be issued there to the proxies nominated by the Company electronically using the internet service for the annual general meeting. Respective details, in particular the access details required for using the internet service, can be found in the documents sent to the shareholders pursuant to section 125 German Stock Corporation Act (AktG). Shareholders wishing to authorize and instruct the proxies nominated by the Company prior to the annual general meeting have to send their proxies with instructions by no later than 20 May 2019, 6:00 p.m. (CEST), (receipt), to:

Telefónica Deutschland Holding AG  
c/o Link Market Services GmbH  
Landshuter Allee 10  
80637 Munich  
Germany  
or e-mail: [namensaktien@linkmarketservices.de](mailto:namensaktien@linkmarketservices.de)  
or telefax: +49-(0)89-21027-288

or have to issue the proxy authorization and instructions up to the aforementioned date by using the internet service for the annual general meeting at [www.telefonica.de](http://www.telefonica.de) under Investor Relations/AGM. The possibility to issue proxy authorization and voting instructions to the proxies nominated by the Company by using the e-mail address [namensaktien@linkmarketservices.de](mailto:namensaktien@linkmarketservices.de) is furthermore available until the beginning of the annual general meeting (21 May 2019, 10:00 a.m. (CEST)). For the revocation of the proxy authorization granted to proxies nominated by the Company or the amendment of instructions prior to the annual general meeting, the aforementioned information on the possibilities for transmission and the deadlines shall apply *mutatis mutandis*.

### **Motions or election proposals from shareholders**

Pursuant to section 122 para. 2 German Stock Corporation Act (AktG), shareholders whose combined shares amount to at least one twentieth of the share capital or a nominal value of EUR 500,000.00 may request that additional items are added to the agenda and published. An explanation or a proposed resolution has to be enclosed with each additional agenda item. Pursuant to section 122 para. 2 German Stock Corporation Act (AktG) in conjunction with section 122 para. 1 sentence 3 German Stock Corporation Act (AktG) the petitioners must prove that they have been owners of the shares at least 90 days before submitting the request and that they will remain the owners of the shares until the management board has made a decision about the motion. When calculating this 90-day period there are certain set-off options to which reference is specifically made pursuant to section 70 German Stock Corporation Act (AktG). In calculating this

period the provisions of section 121 para. 7 German Stock Corporation Act (AktG) have to be observed.

Such requests must be made in written form to the management board and must be received by the Company no later than 30 days prior to the annual general meeting (not counting the day of the annual general meeting and the day of receipt), this is by no later than 24:00 (midnight) CEST on 20 April 2019. Please send such requests to the following address:

Telefónica Deutschland Holding AG  
– Management Board –  
Georg-Brauchle-Ring 50  
80992 Munich  
Germany.

Pursuant to section 126 para. 1 German Stock Corporation Act (AktG), any shareholder of the Company may submit a counter-proposal to a proposal made by the management board and/or the supervisory board relating to a specific item on the agenda. Counter-proposals must be made available on the website subject to the provisions of section 126 paras. 1 and 2 German Stock Corporation Act (AktG), provided they have been received by the Company at the address provided below no later than 14 days prior to the annual general meeting (not counting the day of the annual general meeting and the day of receipt), this is by no later than 24:00 (midnight) CEST on 6 May 2019.

Moreover, any shareholder may submit an election proposal for the election of the auditor or the election of members of the supervisory board subject to the provisions of section 127 German Stock Corporation Act (AktG). Election proposals must be made available on the website subject to the provisions of sections 127 and 126 para. 1



and para. 2 German Stock Corporation Act (AktG), provided they have been received by the Company at the address provided below no later than 14 days prior to the annual general meeting (not counting the day of the annual general meeting and the day of receipt), this is by no later than 24:00 (midnight) CEST on 6 May 2019.

Counter-proposals or election proposals from shareholders must be sent to the following address:

Telefónica Deutschland Holding AG  
Investor Relations  
Georg-Brauchle-Ring 50  
80992 Munich  
Germany  
or telefax: +49-(0)89-2442-2000  
or e-mail: [hauptversammlung@telefonica.com](mailto:hauptversammlung@telefonica.com)

No counter-proposals or election proposals otherwise addressed will be considered.

More information on the rights pursuant to sections 122 para. 2, 126 para. 1 and 127 German Stock Corporation Act (AktG) is available to shareholders at [www.telefonica.de](http://www.telefonica.de) under Investor Relations/AGM. Motions and election proposals from shareholders that are required to be made available will be made available under the aforementioned internet address.

### **Right to obtain information**

Please note that pursuant to section 131 para. 1 German Stock Corporation Act all shareholders are to be given information on Company matters, the legal and business relationships of the Company with affiliated companies

and the position of the group and the companies included in the consolidated financial statements by the management board upon request at the annual general meeting, provided such information is necessary in order to properly assess an agenda item.

More information on the rights to obtain information pursuant to section 131 para. 1 German Stock Corporation Act (AktG) is available to shareholders at [www.telefonica.de](http://www.telefonica.de) under Investor Relations/AGM.

### **Information on the Company's website**

All information required to be published pursuant to section 124a German Stock Corporation Act (AktG) is available at [www.telefonica.de](http://www.telefonica.de) under Investor Relations/AGM.

### **Inquiries**

To facilitate preparations for the annual general meeting and to ensure that responses by the Company to inquiries regarding the annual general meeting are provided as quickly as possible, we ask for inquiries solely being directed to:

Telefónica Deutschland Holding AG

Investor Relations

Georg-Brauchle-Ring 50

80992 Munich

Germany

or telefax: +49-(0)89-2442-2000

or e-mail: [hauptversammlung@telefonica.com](mailto:hauptversammlung@telefonica.com)

## **Information on data protection for shareholders**

Your personal data will be processed for the purposes of keeping the share register as prescribed by the German Stock Corporation Act, for communication with you as a shareholder and for holding our general meetings. In addition, your data will be used for related purposes and to fulfil other legal obligations (e.g. obligations to provide evidence or to keep records). Further information on data protection is available at [www.telefonica.de](http://www.telefonica.de) under Investor Relations/AGM.

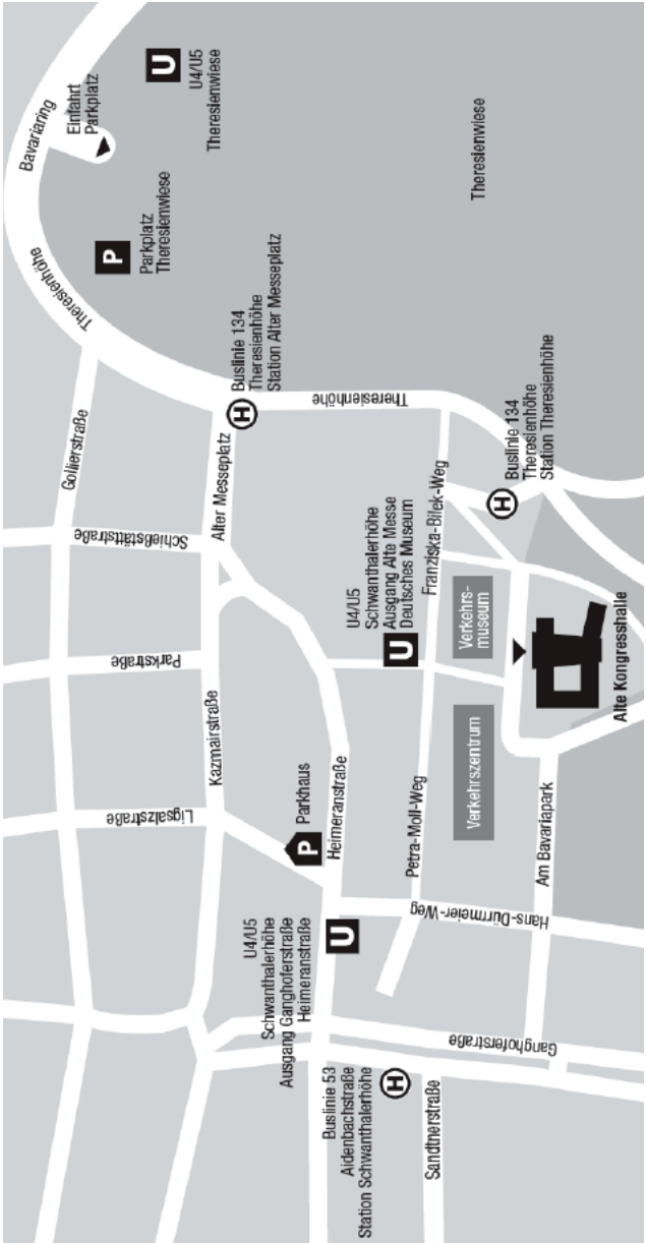
Telefónica Deutschland Holding AG will provide this information in printed form on request.

Munich, April 2019

**Telefónica Deutschland Holding AG**  
**The Management Board**

Note: In the interest of all participants, we will carry out security checks. Should short waiting period arise due to these controls, we ask for your understanding. Please note this when planning your journey.

We ask you in this context to bring no dangerous objects, as for example knives or scissors. These must be taken into custody by us until you leave the Annual General Meeting. Please abstain from bringing your own drinks or other liquids. On site drinks are provided for you.



Telefónica Deutschland Holding AG

Georg-Brauchle-Ring 50

80992 Munich

Germany

Phone: +49-(0)89-2442-0

[www.telefonica.de](http://www.telefonica.de)

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